

Adjournment Debate

FINANCE—(A) PRICE PAID FOR TREASURY BILLS; (B) REASONS FOR PRICE PAID

Mr. Don Blenkarn (Mississauga South): Mr. Speaker, on June 12, last Friday, I asked the Acting Minister of Finance why the Government of Canada, at its treasury bill auction on Thursday, had to pay 18.82 per cent for its 90 day money when the previous Tuesday, the government of the United States had to pay slightly over 14.9 per cent for the same money on the same type of instrument, a treasury bill. The same type of arrangement, the same type of ratios took place with respect to the 180-day-old bill. The effect was that last week, Canada paid 4 per cent, an average, more than the government of the United States did on treasury bills.

At 5.30 this afternoon I checked the situation in New York. At that point, the U.S. treasury bill rate at auction was running at 13.72 per cent. Comparing that to the Canadian rate of 18.82 per cent, Canada has, of today, paid 5.10 per cent more than the Americans for treasury bill money on 90 days. On the 180 day bills, the Americans were paying 13.46 per cent and Canadians were paying 18.22 per cent, or 4.76 per cent difference. We will average that and say 5 per cent more. Since I asked the question on Friday, the position has become 1 per cent worse.

I did not want just to compare treasury bills, although I did ask the minister why that was the case—if it was a question of Canada's credit. The minister did not seem to want to answer. He thought that perhaps I was attacking the New Democratic Party. I was not; I was asking him a serious question.

I then turned to the London interbank rate. At the same time, three months' money was 17¾ per cent for 90 days and 1716 per cent for 180 days. In other words, the London interbank rate was at least 1 per cent less than what the Government of Canada has to pay on its treasury bills. That is the rate at which multinational corporations borrow on the international market. Indeed, a multinational corporation called Petro-Canada borrows at the London inter-bank rate, as my friend, the Parliamentary Secretary to the Minister of Finance (Mr. Evans) knows. Petro-Canada, with its tremendous assets and its lack of equity, is able to borrow at least 1 per cent cheaper than the Government of Canada was able to do last Thursday.

I had the chance to look at the banker's acceptance rate in the United States. Last Thursday, that rate was 16.5 per cent for 90 days. The Government of Canada paid 18.82 per cent. In other words, the Government of Canada paid 2.75 per cent more than an ordinary commercial corporation—the U.S. Widget Co.—had to pay for its money. That is the nature of the credit of Canada; it must pay more for its money than ordinary commercial traders in the United States pay for theirs, or ordinary multinational traders pay for their money. Canada pays very much more.

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Going further, I looked at the Eurodollar rate. The same type of ratios took place. For three-month bills, the Eurodollar rate was 17.11 per cent. The Government of Canada's treasury

bill rate was 18.22 per cent, for a difference of 1.71 per cent. If we go to the 180-day bills, the difference is a little over 2 per cent. The averages are very close to 2 per cent more. One wonders why this has happened. Normally, when a borrower has to pay more for money than his neighbour does, he pays more because his credit is poor. Why is Canada's credit so poor? I suppose part of the question has to do with what people think of the Canadian dollar. All one has to do is to look at the futures market for the Canadian dollar. The betting on the market is that the Canadian dollar will be worth 82 cents in three months and 81 cents in six months in terms of the U.S. dollar. That is the bet. That is what the futures market says. It is no wonder people lending money to the Government of Canada say they want more from Canada than they want from anybody because Canadian money will not be worth anything. Why is this so with the resources and with the educated people this country has? The answer lies in the government this country has.

What is happening in the United States? A boom is taking place there. Business is roaring ahead with enthusiasm, and with optimism led by a Reagan administration. What do we have in Canada? We have a government which turns business off. We have a government which deliberately nationalizes property and deliberately seizes property without paying compensation. That is the kind of government we have and that is why we have problems.

We have a national energy policy which causes problems. We are all paying for that policy. Every small business is paying for it. Every one of us is paying every day for ineptness and incompetence. This government has better come up with a new economic policy soon or our interest rates will go up even higher.

Mr. John Evans (Parliamentary Secretary to Deputy Prime Minister and Minister of Finance): Mr. Speaker, the question is based on an incorrect premise in that the Canadian treasury bills and U.S. treasury bills are not sold in the same market place. While it is true that Canadian interest rates are responsive to levels in the United States, and we have admitted that since we are so dependent upon capital inflows, it is simply not true that interest rates in Canada are tied to those in the United States in any way. The movement of interest rate differentials between the two countries over the past 18 months shows clearly that the pattern of interest rates in each country has been quite different. Thus, while the Canada-U.S. differential on treasury bills was some 130 basis points on May 20, the differential increased, as the hon. member indicated, to 400 basis points last week. Similarly, while the 30-day commercial paper rate in the U.S. was over four percentage points higher than that in Canada in December, it is now some two percentage points below the comparable Canadian rate. Short-term interest rates in the United States over the past few months have moved over a much wider range than those in Canada. Indeed the hon. member should know that chartered bank prime lending rates in Canada and the best rates charged by banks in the U.S. are almost identical right now. There are some similarities as well as great differences.